

Cineplex Inc.

Interim Condensed Consolidated Balance Sheets
(Unaudited)

(expressed in thousands of Canadian dollars)

	Notes	September 30, 2023	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents		\$ 19,032	\$ 34,674
Trade and other receivables		70,540	107,088
Income taxes receivable		2,807	2,033
Inventories		36,991	36,916
Prepaid expenses and other current assets		19,342	15,659
Fair value of interest rate swap agreements		6,246	8,993
		<u>154,958</u>	<u>205,363</u>
Non-current assets			
Property, equipment and leaseholds		414,787	449,495
Right-of-use assets	2	780,326	772,978
Deferred income taxes	3	147,037	—
Fair value of interest rate swap agreements		3,827	2,426
Interests in joint ventures and associates		6,750	650
Intangible assets		80,645	80,428
Goodwill		636,118	636,134
Derivative financial instrument	5	1,110	2,980
		<u>\$ 2,225,558</u>	<u>\$ 2,150,454</u>
Contingent liabilities	12		

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Cineplex Inc.

Interim Condensed Consolidated Balance Sheets...continued
(Unaudited)

(expressed in thousands of Canadian dollars)

	Notes	September 30, 2023	December 31, 2022
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 136,186	\$ 195,296
Income taxes payable		2,240	3,736
Deferred revenue and other	6	179,212	220,527
Lease obligations	7	89,390	96,093
		<u>407,028</u>	<u>515,652</u>
Non-current liabilities			
Share-based compensation	4	4,505	3,752
Long-term debt	5	814,836	824,888
Lease obligations	7	1,014,068	1,004,546
Post-employment benefit obligations		6,509	6,970
Other liabilities		6,461	6,460
Deferred income taxes	3	2,347	—
		<u>1,848,726</u>	<u>1,846,616</u>
Total liabilities		<u>2,255,754</u>	<u>2,362,268</u>
Shareholders' deficit			
Share capital	8	852,741	852,697
Deficit		(972,852)	(1,148,970)
Contributed surplus		88,408	83,006
Cumulative translation adjustment		1,507	1,453
Total shareholders' deficit		<u>(30,196)</u>	<u>(211,814)</u>
		<u>\$ 2,225,558</u>	<u>\$ 2,150,454</u>

Approved by the Board of Directors

“Phyllis Yaffe”
Director

“Janice Fukakusa”
Director

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Cineplex Inc.

Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
For the three and nine months ended September 30, 2023 and 2022
(Unaudited)

(expressed in thousands of Canadian dollars, except per share amounts)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
Revenues					
	6				
Box office		\$ 188,233	\$ 124,700	\$ 476,062	\$ 341,024
Food service		146,228	105,193	378,696	284,218
Media		28,957	25,224	77,353	67,175
Amusement		75,204	69,607	227,850	185,754
Other		24,964	15,113	67,700	40,267
		<u>463,586</u>	<u>339,837</u>	<u>1,227,661</u>	<u>918,438</u>
Expenses					
Film cost		101,510	66,356	258,055	175,330
Cost of food service		33,220	24,839	88,201	65,031
Depreciation - right-of-use assets		22,512	23,277	67,361	72,026
Depreciation and amortization - other assets		24,478	26,079	75,373	79,622
(Gain) loss on disposal of assets		—	(49,848)	970	(54,341)
Other costs	9	202,510	185,048	588,456	500,141
Share of loss of joint ventures and associates		678	673	2,667	371
Interest expense - lease obligations		16,771	15,946	49,592	45,389
Interest expense - other		21,016	16,303	62,752	40,198
Interest income		(248)	(84)	(741)	(152)
Foreign exchange		(427)	(1,239)	(4)	(1,628)
Loss on financial instruments recorded at fair value	5	580	1,630	1,870	7,230
		<u>422,600</u>	<u>308,980</u>	<u>1,194,552</u>	<u>929,217</u>
Income (loss) before income taxes		<u>40,986</u>	<u>30,857</u>	<u>33,109</u>	<u>(10,779)</u>
Income tax expense (recovery)	3				
Current		(203)	—	1,681	(724)
Deferred		11,443	—	(144,690)	—
		<u>11,240</u>	<u>—</u>	<u>(143,009)</u>	<u>(724)</u>
Net income (loss)		<u>\$ 29,746</u>	<u>\$ 30,857</u>	<u>\$ 176,118</u>	<u>\$ (10,055)</u>
Other comprehensive income					
<i>Items that will be reclassified subsequently to net income:</i>					
Foreign currency translation adjustment		874	2,035	54	2,535
Other comprehensive income		<u>874</u>	<u>2,035</u>	<u>54</u>	<u>2,535</u>
Comprehensive income (loss)		<u>\$ 30,620</u>	<u>\$ 32,892</u>	<u>\$ 176,172</u>	<u>\$ (7,520)</u>
Earnings (loss) per share - basic	10	<u>\$ 0.47</u>	<u>\$ 0.49</u>	<u>\$ 2.78</u>	<u>\$ (0.16)</u>
Earnings (loss) per share - diluted	10	<u>\$ 0.40</u>	<u>\$ 0.43</u>	<u>\$ 2.14</u>	<u>\$ (0.16)</u>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Cineplex Inc.

Interim Condensed Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2023 and 2022
(Unaudited)

(expressed in thousands of Canadian dollars)

	Share capital	Contributed surplus	Hedging reserves and other	Cumulative translation adjustment	Deficit	Total
January 1, 2023	\$ 852,697	\$ 83,006	\$ —	\$ 1,453	\$ (1,148,970)	\$ (211,814)
Net income	—	—	—	—	176,118	176,118
Other comprehensive income	—	—	—	54	—	54
Total comprehensive income	—	—	—	54	176,118	176,172
Share option expense	—	973	—	—	—	973
PSU/RSU expense	—	4,473	—	—	—	4,473
Issuance of shares on exercise of options	44	(44)	—	—	—	—
September 30, 2023	\$ 852,741	\$ 88,408	\$ —	\$ 1,507	\$ (972,852)	\$ (30,196)
January 1, 2022	\$ 852,465	\$ 80,027	\$ (131)	\$ (690)	\$ (1,151,394)	\$ (219,723)
Net loss	—	—	—	—	(10,055)	(10,055)
Other comprehensive income	—	—	—	2,535	—	2,535
Total comprehensive income (loss)	—	—	—	2,535	(10,055)	(7,520)
Share option expense	—	1,242	—	—	—	1,242
PSU/RSU expense	—	3,873	—	—	—	3,873
Issuance of shares on exercise of options	196	(83)	—	—	—	113
September 30, 2022	\$ 852,661	\$ 85,059	\$ (131)	\$ 1,845	\$ (1,161,449)	\$ (222,015)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Cineplex Inc.

Interim Condensed Consolidated Statements of Cash Flows
For the three and nine months ended September 30, 2023 and 2022
(Unaudited)

(expressed in thousands of Canadian dollars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
Cash provided by (used in)					
Operating activities					
Net income (loss)		\$ 29,746	\$ 30,857	\$ 176,118	\$ (10,055)
Adjustments to reconcile net loss to net cash provided by operating activities					
Depreciation and amortization - other assets		24,478	26,079	75,373	79,622
Depreciation - right-of-use assets		22,512	23,277	67,361	72,026
Unrealized foreign exchange		(325)	(1,028)	35	(1,364)
Interest rate swap agreements - non-cash interest		1,448	(4,277)	2,035	(21,398)
Accretion of convertible debentures and notes payable		5,351	4,622	15,947	13,832
Other non-cash interest		110	114	271	460
(Gain) loss on disposal of assets		—	(49,848)	970	(54,341)
Deferred income taxes	3	11,443	—	(144,690)	—
Non-cash share-based compensation		1,744	1,419	5,447	5,115
Change in fair value of financial instruments		580	1,630	1,870	7,230
Net change in interests in joint ventures and associates		449	(1,219)	2,099	(1,589)
Changes in operating assets and liabilities	11	(52,843)	(25,815)	(61,789)	(42,012)
Net cash provided by operating activities		44,693	5,811	141,047	47,526
Investing activities					
Proceeds from disposal of assets, including asset related insurance recoveries		2	152	6	1,822
Purchases of property, equipment and leaseholds		(9,061)	(14,618)	(42,119)	(36,758)
Intangible assets additions		(2,781)	(3,638)	(8,258)	(8,419)
Tenant inducements		3,223	3,581	7,295	4,186
Investment in joint ventures and associates		(2,333)	—	(8,199)	—
Net cash received from CDCP		—	—	—	5,318
Net cash used in investing activities		(10,950)	(14,523)	(51,275)	(33,851)
Financing activities					
(Repayments) borrowings under credit facilities, net	5	(29,000)	38,000	(26,000)	72,000
Repayments of lease obligations - principal		(25,754)	(26,330)	(79,190)	(83,025)
Exercise of cash option		—	—	—	113
Financing fees		—	(542)	(406)	(542)
Net cash (used in) provided by financing activities		(54,754)	11,128	(105,596)	(11,454)
Effect of exchange rate differences on cash		48	(146)	182	(305)
(Decrease) increase in cash and cash equivalents		(20,963)	2,270	(15,642)	1,916
Cash and cash equivalents - Beginning of period		39,995	26,584	34,674	26,938
Cash and cash equivalents - End of period		\$ 19,032	\$ 28,854	\$ 19,032	\$ 28,854
Supplemental information					
Cash paid for interest - lease obligation		\$ 16,704	\$ 15,682	\$ 49,842	\$ 44,475
Cash paid for interest - other		\$ 14,339	\$ 17,095	\$ 45,349	\$ 50,634
Cash paid (refunded) for income taxes, net		\$ 521	\$ (652)	\$ 3,751	\$ (688)

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Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2023 and 2022
(Unaudited)

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1. General information

Cineplex Inc. (“Cineplex”) an Ontario, Canada corporation, is one of Canada’s largest entertainment organizations, with theatres and location-based entertainment venues in ten provinces. Cineplex also operates businesses in digital commerce, cinema media, digital place-based media and amusement solutions through its wholly owned subsidiaries, Cineplex Entertainment Limited Partnership (the “Partnership”), Famous Players Limited Partnership (“Famous Players”), Galaxy Entertainment Inc. (“GEI”), Cineplex Digital Media Inc. (“CDM”), and Player One Amusement Group Inc. (“PIAG”). Cineplex is headquartered at 1303 Yonge Street, Toronto, Ontario, M4T 2Y9.

The Board of Directors approved these consolidated financial statements on November 8, 2023.

Cineworld Transaction and Bankruptcy Filing

On September 7, 2022, Cineworld Group plc (“Cineworld”) filed a petition, in the United States Bankruptcy Court, commencing Chapter 11 bankruptcy proceedings. Cineworld’s bankruptcy proceedings effectively put an end to Cineplex’s \$1,240,000 judgement, against Cineworld, awarded by the Ontario Superior Court of Justice on December 14, 2021. Cineworld entered into a restructuring agreement with some of its lenders on April 2, 2023 and filed a proposed plan of reorganization (the “Chapter 11 Plan”) on April 11, 2023. The Chapter 11 Plan was confirmed by the U.S. Bankruptcy Court on June 28, 2023 and made effective on July 31, 2023. The Chapter 11 Plan contemplates holders of general unsecured claims (which includes Cineplex’s litigation claim of \$1,240,000) receiving, in aggregate, (i) USD \$10,000,000 in cash and (ii) interests in a litigation trust relating to certain class actions against credit card issuers (collectively, the “Recovery Pool”). Cineplex’s allocated portion of the Recovery Pool is not expected to be a material amount and has not been accrued as a receivable in Cineplex’s financial statements as at September 30, 2023. Please refer to Cineplex’s Annual MD&A for details on Cineplex’s litigation against Cineworld that occurred prior to the third quarter of 2023.

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2023 and 2022
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2. Right-of-use-assets

The following tables present right-of-use assets for Cineplex for the nine months ended September 30, 2023 and 2022:

	<u>Property</u>	<u>Equipment</u>	<u>Total</u>
At September 30, 2023			
Cost	\$ 1,273,848	\$ 19,264	\$ 1,293,112
Accumulated depreciation	(499,473)	(13,313)	(512,786)
Net book value	\$ 774,375	\$ 5,951	\$ 780,326
Nine months ended September 30, 2023			
Balance - December 31, 2022	\$ 766,167	\$ 6,811	\$ 772,978
Additions	18,954	148	19,102
Extensions and modifications	54,747	1,055	55,802
Disposals	—	(181)	(181)
Foreign exchange rate changes	(14)	—	(14)
Depreciation for the period	(65,479)	(1,882)	(67,361)
Closing net book value	\$ 774,375	\$ 5,951	\$ 780,326
At September 30, 2022			
Cost	\$ 1,194,021	\$ 24,311	\$ 1,218,332
Accumulated depreciation	(423,324)	(16,553)	(439,877)
Net book value	\$ 770,697	\$ 7,758	\$ 778,455
Nine months ended September 30, 2022			
Balance - December 31, 2021	\$ 757,197	\$ 11,478	\$ 768,675
Additions	4,212	384	4,596
Extensions and modifications	78,160	(1,141)	77,019
Disposals	(119)	—	(119)
Foreign exchange rate changes	309	1	310
Depreciation for the period	(69,062)	(2,964)	(72,026)
Closing net book value	\$ 770,697	\$ 7,758	\$ 778,455

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
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3. Deferred income taxes

Based on substantively enacted corporate tax rates, expected timing of reversals and expected taxable income allocation to various tax jurisdictions, deferred income taxes are as follows:

	September 30, 2023	December 31, 2022
Deferred income tax assets		
Property, equipment and leaseholds and deferred tenant inducements - difference between net carrying value and undepreciated capital cost	\$ 5,359	\$ 3,690
Accounting provisions not currently deductible	88,886	92,391
Deferred revenue	1,240	1,985
Income tax credits available	3,763	4,010
Operating losses available for carry-forward	104,620	113,730
Other	12,454	10,935
Total gross deferred income tax assets	<u>216,322</u>	<u>226,741</u>
Future deferred tax liabilities		
Intangible assets	(10,443)	(10,208)
Interest rate swap agreements	(2,767)	(3,121)
Goodwill	(34,446)	(32,460)
Convertible debentures	(23,976)	(23,976)
Total gross deferred income tax liabilities	<u>(71,632)</u>	<u>(69,765)</u>
Net deferred income tax	\$ 144,690	\$ 156,976
Deferred income tax asset not recognized	—	156,976
Net deferred income tax asset recognized	<u>\$ 144,690</u>	<u>\$ —</u>

At December 31, 2020 the recoverability of the net deferred income tax assets was uncertain and accordingly the net deferred tax assets were derecognized. During the second quarter of 2023, Cineplex assessed the recoverability of net deferred income tax assets and determined that the expected return to profitability provided a reasonable expectation that previously derecognized net deferred income tax assets will be utilized to offset future periods of taxable income, resulting in income tax recovery of approximately \$158,440 in the second quarter of 2023. Cineplex's had \$433,135 of non-capital losses available based on income tax returns filed up to tax year 2022.

Cineplex's combined statutory income tax rate at September 30, 2023 was 26.3% (2022 - 26.3%).

By Notice of Reassessment ("NOR") dated January 22, 2019, the Canada Revenue Agency ("CRA"), disallowed the deduction of \$26,600 of losses of AMC Ventures Inc. ("AMC") that Cineplex had obtained on the acquisition of AMC in 2012. The disallowance of the losses, which offset taxable income generated in 2014, increased taxes and interest payable by approximately \$8,600, 50% of which was required to be paid immediately (interest continues to accrue on the unpaid amount). Cineplex disagrees with the CRA's position, and has commenced an appeal to the Tax Court of Canada in respect of the NOR. On June 28, 2021, Cineplex received a response from the Attorney General of Canada representing the CRA confirming its position with respect to the disallowance of the losses. The appeals process is continuing and Cineplex believes that it should prevail in defending its original filing position, although no assurance can be given in this regard as the appeal process proceeds.

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4. Share-based compensation

Omnibus Incentive Plan

On November 12, 2020, the Board of Directors approved an Omnibus Incentive Plan (the “Incentive Plan”). This plan supersedes the former incentive plans (collectively, the “Legacy Plan”) that included Options, Performance Share Units (“PSUs”) and Restricted Share Units (“RSUs”). All employees and consultants are eligible to participate in the Incentive Plan. The Incentive Plan consists of stock options, RSUs and PSUs. Awards of RSUs and PSUs granted during a service year will be subject to a service period as determined by management at the time of issuance. The aggregate number of Shares that may be issued under the Incentive Plan is 3,795,933 provided that no more than 1,893,445 Shares may be issued in aggregate pursuant to the settlement of RSUs and PSUs. Options that were issued under the Legacy Plan and are subsequently cancelled will be available to be issued under the Incentive Plan. The base Share equivalents granted as RSU and PSU awards attract compounding notional dividends at the same rate as outstanding Shares, which are notionally re-invested as additional base Share equivalents. PSU and RSU awards may be settled in Shares issued from treasury, cash, or a mix of Shares and cash, at Cineplex’s option at the time of settlement. Awards outstanding under prior plans shall remain in full force and effect under the prior plans according to their respective terms. Under the prior plans, the effects of changes in estimates of performance results are recognized in the year of change. As at September 30, 2023, 686,641 (2022 - 1,100,952) Shares are available to be issued under the Incentive Plan.

Stock Options

Stock options issued under the Incentive Plan will be administered by the Board of Directors which will establish the exercise price at the time each option is granted, which in all cases will not be less than the market price on the grant date. All of the options must be exercised over specified periods not to exceed ten years from the date granted. Options issued under the Incentive Plan may be exercised for cash or on a cashless basis, both of which result in the issuance of Shares from treasury. Options granted will be accounted for as equity-settled.

Cineplex recognized employee benefits expense of \$316 and \$973 with respect to options during the three and nine months ended September 30, 2023 (2022 - \$326 and \$1,242, respectively).

The fair value of options granted during the period ended September 30, 2023 and 2022 were determined using the Black-Scholes valuation model using the following significant inputs:

	September 30, 2023	September 30, 2022
Number of options granted	461,786	223,578
Share price on grant date	\$ 8.71	\$ 13.39
Exercise price	\$ 8.71	\$ 13.39
Expected option life (years)	4.0	4.0
Volatility	51.31 %	49.39 %
Annual risk-free rate	3.19 %	1.58 %
Fair value of options granted	\$ 2.90	\$ 5.33

Upon cashless exercises, the options exercised in excess of Shares issued are cancelled and returned to the pool available for future grants. At September 30, 2023, 346,881 options (2022 - 602,447) are available for grant.

Cineplex Inc.

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A summary of option activities in 2023 and 2022 is as follows:

	Weighted average remaining contractual life (years)	2023		2022	
		Number of underlying shares	Weighted average exercise price	Number of underlying shares	Weighted average exercise price
Options outstanding, January 1	7.00	2,102,818	\$ 18.90	2,198,805	\$ 21.48
Granted		461,786	8.71	223,578	13.39
Exercised		(13,877)	8.25	(26,309)	8.25
Forfeited		(187,373)	24.90	(285,371)	35.75
Options outstanding, September 30	6.96	<u>2,363,354</u>	\$ 16.50	<u>2,110,703</u>	\$ 18.86
Options vested and exercisable		<u>1,488,545</u>		<u>1,276,369</u>	

The exercise price was equal to the market price of Cineplex shares at the grant date.

RSU and PSU awards

The grants of Share equivalents were as follows:

	PSU Share equivalents granted	RSU Share equivalents granted	PSU Share equivalents minimum payout	PSU Share equivalents maximum payout
2023 LTIP awards granted in Q1 2023	307,551	477,254	—	615,102
2022 LTIP awards granted in Q1 2022	177,973	284,661	—	355,946
2021 LTIP awards granted in Q2 2021	167,546	315,619	—	335,092

During the first quarter of 2023, Cineplex issued 477,254 equity settled RSUs with a fair value \$8.71 per unit (total fair value of \$4,157 on issuance) and 307,551 equity settled PSUs with a fair value of \$8.71 per unit (total fair value of \$2,679 on issuance). The fair value was assessed based on Cineplex's closing Share price on the grant date. The RSU and PSU awards issued will vest in the fourth quarter of 2025.

Compensation expense is recorded based on the number of units expected to vest, the current market price of Cineplex's common shares, and the application of a performance multiplier that ranges from a minimum of zero to a maximum of two. Performance multipliers are developed based on Total Shareholder Return percentile rank relative to a select peer group and composite group. Participants will receive one fully paid Share issued from treasury that can vary depending on the achievement of established performance targets. Performance conditions are reflected in Cineplex's estimate of the grant-date fair value for equity instruments granted.

Incentive Plan costs are estimated at the grant date based on expected performance results then accrued and recognized on a graded basis over the vesting period. Forfeitures are estimated to be nominal, based on historical forfeiture rates. Cineplex recognized compensation expense of \$1,376 and \$4,444 for the three and nine months ended September 30, 2023 (2022 - \$1,082 and \$3,966, respectively) under the Incentive Plan relating to RSU and PSU awards. At September 30, 2023, \$0 (2022 - \$301) was included in share-based compensation liability and \$8,879 in contributed surplus (2022 - \$6,649).

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Deferred equity units

Members of the Board of Directors and certain officers of Cineplex may elect to defer a portion of their compensation in the form of deferred equity units. Cineplex recognized compensation expense of \$70 and \$391 during the three and nine months ended September 30, 2023 (2022 recovery of \$(907) and \$(1,698), respectively) associated with the deferred equity units. At September 30, 2023, \$4,505 (2022 - \$3,606) was included in share-based compensation liability.

5. Long-term debt

Long-term debt consists of the following as at September 30, 2023 and December 31, 2022:

	September 30, 2023		December 31, 2022	
	Book Value	Face Value	Book Value	Face Value
Credit Facilities	\$ 301,000	\$ 301,000	\$ 327,000	\$ 327,000
Convertible Debentures (i)	267,125	316,250	252,078	316,250
Notes Payable (i)	246,711	250,000	245,810	250,000
Total	<u>\$ 814,836</u>	<u>\$ 867,250</u>	<u>\$ 824,888</u>	<u>\$ 893,250</u>

(i) Book value represents the carrying value of the debt component, which is the initial fair value of the instrument, plus cumulative accretion.

Interest expense	Third Quarter		Year to Date	
	2023	2022	2023	2022
Interest expense on long-term debt	\$ 14,175	\$ 15,382	\$ 44,240	\$ 47,119
Lease interest expense (i)	16,702	15,866	49,445	45,032
Financing fees	—	542	406	542
Sub-total - cash interest expense	<u>\$ 30,877</u>	<u>\$ 31,790</u>	<u>\$ 94,091</u>	<u>\$ 92,693</u>
Deferred financing fee accretion and other non-cash interest, net	110	114	271	460
Accretion expense on Debentures and Notes Payable	5,352	4,622	15,947	13,832
Interest rate swap - non-cash	1,448	(4,277)	2,035	(21,398)
Sub-total - non-cash interest expense	<u>6,910</u>	<u>459</u>	<u>18,253</u>	<u>(7,106)</u>
Total interest expense	<u>\$ 37,787</u>	<u>\$ 32,249</u>	<u>\$ 112,344</u>	<u>\$ 85,587</u>
Total cash interest paid	<u>\$ 31,043</u>	<u>\$ 32,777</u>	<u>\$ 95,191</u>	<u>\$ 95,109</u>

(i) Represents total cash interest paid and accrued cash interest related to lease obligations.

Cineplex Inc.

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Credit facilities

Cineplex has bank facilities with a syndicate of lenders which includes a revolving facility (the “Revolving Facility”) and non-revolving credit facility (the “Term Facility”, and together with the Revolving Facility, the “Credit Facilities”) pursuant to a seventh amended and restated credit agreement dated November 13, 2018 between Cineplex, Cineplex Entertainment Limited Partnership, the guarantors from time to time party thereto, and a syndicate of lenders (as further amended from time to time, the “Credit Agreement”). The Term Facility was repaid in full in the first quarter of 2021 and is no longer available for future borrowing.

At September 30, 2023, the Credit Facilities consisted of the following, subject to amendments described below pursuant to the Credit Agreement Amendments described below:

	Available	Drawn	Reserved	Remaining
Revolving Facility	\$ 541,200	\$ 301,000	\$ 8,400	\$ 231,800

Letters of credit outstanding at September 30, 2023 of \$8,400 are reserved against the Revolving Facility.

The Credit Facilities bear interest at a floating rate based on the Canadian dollar prime rate, U.S. Base Rate, SOFR (Secured Overnight Financing Rate) or bankers’ acceptances rates plus, in each case, an applicable margin to those rates. The Revolving Facility matures in November 2024. Borrowings on the Revolving Facility can be made in either Canadian or US dollars.

Cineplex’s Credit Facilities contain restrictive covenants that limit the discretion of Cineplex’s management with respect to certain business matters. These covenants place limits and restrictions on, among other things, the ability of Cineplex to create liens or other encumbrances, to pay dividends or make certain other payments, minimum liquidity covenants, anti-hoarding provisions, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. The Credit Facilities are secured by all of Cineplex’s assets. The Revolving Facility is drawn upon and repaid on a regular basis and as such is presented on a net basis in the Statement of Cash Flows.

On March 28, 2023, Cineplex entered into the Seventh Credit Agreement Amendment (the “Seventh Amendment”) revising certain of the financial covenants throughout the remainder of 2023. The table below is a summary of the financial covenant amendments:

Financial Covenant	Amendment	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024 and thereafter
Total Leverage Ratio	Commencing Q1 2023 through to and including Q3 2023 testing is suspended and amended as follows:	—	—	—	3.25x	3.00x
Senior Leverage Ratio	Amended as follows:	3.25x	2.75x	2.50x	2.25x	2.00x
Fixed Charge Coverage Ratio	Amended as follows:	1.10x	1.10x	1.10x	1.25x	1.25x

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This summary of the Seventh Amendment is qualified in its entirety by reference to the provisions of the Credit Agreement which contains a complete statement of those terms and conditions. The Credit Agreement and each of the First, Second, Third, Fourth, Fifth, Sixth and Seventh Amendments were filed on SEDAR+ on June 30, 2020, November 13, 2020, February 8, 2021, January 4, 2022, August 10, 2022, December 22, 2022 and March 28, 2023, respectively.

Cineplex's financial covenant ratios were as follows:

Financial Covenant	Q1 2023	Q2 2023	Q3 2023
Total Leverage Ratio	N/A	N/A	N/A
Senior Leverage Ratio	2.86x	2.03x	1.48x
Fixed Charge Coverage Ratio	1.16x	1.30x	1.48x

One of the key financial covenants in the Credit Facilities is the Total Leverage Ratio which is calculated in accordance with IFRS in effect at November 13, 2018, which excludes the impact of the adoption of IFRS 16 on Cineplex's financial reporting. The definition of debt in the Credit Facilities for the purposes of the Total Leverage Ratio includes the Credit Facilities, financing leases, Notes Payable and letters of credit but does not include Debentures, the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. The definition of debt for the purposes of the Senior Leverage Ratio includes the Credit Facilities, financing leases and letters of credit but does not include Notes Payable, Debentures, the lease obligations arising on the adoption of IFRS 16 or a reduction for cash on hand. For the purpose of the Credit Facilities definition, EBITDA is adjusted for certain non-cash, non-recurring items, excluded subsidiaries and the annualized impact of new operating locations or acquisitions.

Convertible debentures

Convertible debentures outstanding as of September 30, 2023 and December 31, 2022 are as follows:

	September 30, 2023	December 31, 2022
Face value of convertible debentures outstanding	\$ 316,250	\$ 316,250
Unaccreted deferred financing fees and discount	(49,125)	(64,172)
Convertible debentures	<u>\$ 267,125</u>	<u>\$ 252,078</u>

On July 17, 2020, Cineplex issued \$316,250 aggregate principal amount of convertible unsecured subordinated debentures, which mature on September 30, 2025 (the "Maturity Date") and bear interest at a rate of 5.75% per annum, payable semi-annually in arrears on September 30 and March 31 in each year.

The Debentures are not redeemable by Cineplex prior to September 30, 2023. On or after September 30, 2023 and prior to September 30, 2024, Cineplex may, at its option, redeem the Debentures in whole or in part from time to time provided that the volume weighted average trading price of the Shares on the Toronto Stock Exchange during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after September 30, 2024, the Debentures may be redeemed in whole or in part from time to time at the option of Cineplex at a price equal to their principal amount plus accrued and unpaid interest. Redemption may be in the form of cash or in the form of Shares, at the option of Cineplex.

At the holder's option, the Debentures may be converted into Shares at a conversion price of \$10.94 per Share at any time prior to the close of business on the earlier of: (i) five business days prior to the Maturity Date, and (ii) if called for redemption, five business days immediately preceding the dated fixed for redemption of the Debentures, at a

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conversion price to be determined at the time of pricing. Holders who convert their Debentures into Shares will receive accrued and unpaid interest for the period from the date of the latest Interest Payment Date to the date of conversion. Conversion of outstanding Debentures will result in the issuance of Shares from treasury.

The fair value of the liability component of the Debentures was assessed at inception based on an estimated market discount rate of 14.1% less the pro-rata portion of transaction costs, and will be accreted to the full face value over the term of the Debentures. Cineplex recorded cash interest expense on the Debentures during the quarter and year to date period of \$4,559 (2022 - \$4,559) and \$13,602 (2022 - \$13,602), respectively. Cineplex recorded accretion expense during the quarter and year to date period of \$5,175 (2022 - \$4,467) and \$15,047 (2022 - \$12,997), respectively, both of which are included as part of the interest expense in the consolidated statement of operations. As at September 30, 2023, Cineplex has \$316,250 principal amount of Debentures outstanding. The residual value was allocated to the equity component less the pro-rata portion of transaction costs as prescribed by IFRS 9, *Financial instruments* and IAS 32, *Financial instruments: Presentation*.

The foregoing is a summary of the key terms of the Debentures. This summary is qualified in its entirety by reference to the provisions of the Debentures trust indenture which contains a complete statement of those terms and conditions. The Debenture trust indenture was filed on SEDAR+ on July 15, 2020.

Notes payable

Notes Payable outstanding as of September 30, 2023 and December 31, 2022 are as follows:

	September 30, 2023	December 31, 2022
Face value of Notes Payable	\$ 250,000	\$ 250,000
Unaccreted deferred financing fees and discount	(3,289)	(4,190)
Notes Payable	<u>\$ 246,711</u>	<u>\$ 245,810</u>

On February 26, 2021, Cineplex completed the \$250,000 Notes Payable offering. The Notes Payable mature on February 26, 2026 and bear interest at a rate of 7.50% per annum, payable semi-annually in arrears on January 31 and July 31 of each year, commencing July 31, 2021. The Notes Payable are subordinate to the security granted for the obligations under the Credit Facilities, and are subject to the terms of an intercreditor agreement with the agent under the Credit Facilities.

Cineplex recorded cash interest expense on the Notes Payable during the quarter and year to date period of \$4,803 (2022 - \$4,803) and \$14,024 (2022 - \$14,024), respectively. Cineplex recorded accretion expense during the quarter and year to date period of \$177 (2022 - \$155) and \$901 (2022 - \$835), respectively, both of which are included as part of interest expense in the consolidated statement of operations. As at September 30, 2023, Cineplex has \$250,000 principal amount of Notes Payable outstanding. Cineplex's derivative financial instrument on the Notes Payable relates to the early prepayment option that fluctuates in value based on market interest rates. The fair value of the embedded derivative was determined using an option pricing model with observable market inputs and is consistent with accepted methods for valuing financial instruments. Cineplex has estimated the fair value of this embedded derivative at \$1,110 as at September 30, 2023 (2022 - \$2,010), which is presented on the consolidated balance sheets as a derivative financial instrument.

The foregoing is a summary of the key terms of the Notes Payable. This summary is qualified in its entirety by reference to the provisions of the Notes Payable trust indenture which contain a complete statement of those terms and conditions. The Notes Payable trust indenture was filed on SEDAR+ on February 26, 2021.

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6. Revenue

The following tables disclose the changes in deferred revenue and other for the nine months ended September 30, 2023 and 2022:

	December 31, 2022	Additions	Recognized	September 30, 2023
Gift cards	\$ 172,615	\$ 47,880	\$ 84,666	\$ 135,829
SCENE loyalty program	22,445	—	4,925	17,520
Advances, deposits and other	25,467	36,267	35,871	25,863
	<u>\$ 220,527</u>	<u>\$ 84,147</u>	<u>\$ 125,462</u>	<u>\$ 179,212</u>

SCENE loyalty program deferred revenue balance relates to SCENE point obligations issued up to December 12, 2021. New Scene+ points issued are recognized as advertising and promotion in other costs in the Consolidated Statement of Operations and are not reflected in deferred revenue on the balance sheet.

	December 31, 2021	Additions	Recognized	September 30, 2022
Gift cards	\$ 169,380	\$ 34,473	\$ 51,253	\$ 152,600
SCENE loyalty program	47,997	—	18,338	29,659
Advances, deposits and other	75,829	19,548	68,591	26,786
	<u>\$ 293,206</u>	<u>\$ 54,021</u>	<u>\$ 138,182</u>	<u>\$ 209,045</u>

In December 2020, Cineplex received \$60,000 from its existing partner with respect to the agreement to reorganize the program and reposition it for future growth. During the third quarter of 2022, Cineplex completed specific non-financial milestones and as a result recognized a gain of \$50,100 (classified under gain (loss) on disposal of assets on the Consolidated Statement of Operations) related to the reorganization of Scene LP, realizing \$50,500 of advances, deposits and other. Approximately \$800 (2022 - \$7,000) remains in advances, deposits and other and will be recognized as future performance obligations are completed. During the third quarter, the remaining \$200 (2022 - \$2,500) in accounts payable and accrued liabilities, was recognized.

The following tables provide the disaggregation of revenue into categories by nature for the three and nine months ended September 30, 2023 and 2022:

Box revenues	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Box office revenues	<u>\$ 188,233</u>	<u>\$ 124,700</u>	<u>\$ 476,062</u>	<u>\$ 341,024</u>

Food service revenues	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Food service - theatres	\$ 132,362	\$ 92,520	\$ 336,764	\$ 249,325
Food delivery - theatres	2,137	2,285	6,508	7,924
Food service - location-based entertainment	11,729	10,388	35,424	26,969
Total food service revenues	<u>\$ 146,228</u>	<u>\$ 105,193</u>	<u>\$ 378,696</u>	<u>\$ 284,218</u>

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Media revenues	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Cinema media	\$ 19,465	\$ 15,097	\$ 51,591	\$ 42,046
Digital place-based media	9,492	10,127	25,762	25,129
Total media revenues	<u>\$ 28,957</u>	<u>\$ 25,224</u>	<u>\$ 77,353</u>	<u>\$ 67,175</u>

Amusement revenues	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Amusement revenue excluding exhibition and LBE	\$ 49,046	\$ 45,541	\$ 153,845	\$ 125,477
Amusement revenue - exhibition	4,314	3,910	12,732	9,249
Amusement revenue - LBE	21,844	20,156	61,273	51,028
Total amusement revenues	<u>\$ 75,204</u>	<u>\$ 69,607</u>	<u>\$ 227,850</u>	<u>\$ 185,754</u>

Other revenues	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Other revenues	<u>\$ 24,964</u>	<u>\$ 15,113</u>	<u>\$ 67,700</u>	<u>\$ 40,267</u>

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7. Lease obligation

The following table presents lease obligations for Cineplex for the nine months ended September 30, 2023 and 2022:

	<u>Property</u>	<u>Equipment</u>	<u>Total</u>
Nine months ended September 30, 2023			
Opening balance	\$ 1,091,282	\$ 9,357	\$ 1,100,639
Extensions and modifications	73,701	1,203	74,904
Tenant inducements	7,164	—	7,164
Lease payments	(125,324)	(3,304)	(128,628)
Interest expense	49,229	363	49,592
Disposals	—	(196)	(196)
Foreign exchange rate changes	(17)	—	(17)
Closing lease obligations	\$ 1,096,035	\$ 7,423	\$ 1,103,458
Less: current portion	86,407	2,983	89,390
Non-current portion of lease obligations	<u>\$ 1,009,628</u>	<u>\$ 4,440</u>	<u>\$ 1,014,068</u>

	<u>Property</u>	<u>Equipment</u>	<u>Total</u>
Nine months ended September 30, 2022			
Opening balance	\$ 1,092,674	\$ 12,849	\$ 1,105,523
Additions	4,212	384	4,596
Extensions and modifications	79,251	(1,141)	78,110
Tenant inducements	5,326	—	5,326
Lease payments	(125,962)	(1,723)	(127,685)
Interest expense	44,949	440	45,389
Foreign exchange rate changes	421	—	421
Closing lease obligations	\$ 1,100,871	\$ 10,809	\$ 1,111,680
Less: current portion	88,315	4,139	92,454
Non-current portion of lease obligations	<u>\$ 1,012,556</u>	<u>\$ 6,670</u>	<u>\$ 1,019,226</u>

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8. Share capital

Cineplex is authorized to issue an unlimited number of common shares and 10,000,000 preferred shares of which none are outstanding.

Share capital balances at September 30, 2023 and 2022 and transactions during the periods are as follows:

2023		Amount
	Number of common shares issued and outstanding	Share capital
Balance - December 31, 2022	63,375,400	\$ 852,697
Issuance of shares on exercise of options	1,321	44
Balance - September 30, 2023	63,376,721	\$ 852,741

2022		Amount
	Number of common shares issued and outstanding	Share capital
Balance - December 31, 2021	63,344,298	\$ 852,465
Issuance of shares on exercise of options	18,415	\$ 196
Balance - September 30, 2022	63,362,713	\$ 852,661

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9. Other costs

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Employee wages, salaries and benefits	\$ 80,737	\$ 70,416	\$ 232,906	\$ 183,976
Rent	924	1,027	2,090	(991)
Realty and occupancy taxes and maintenance fees	18,216	18,222	56,546	51,705
Utilities	9,068	8,912	24,934	22,968
Purchased services	19,636	16,359	56,848	44,143
Other inventories consumed, including amusement and digital place-based media	19,223	21,281	57,309	67,888
Venue revenue share	15,847	15,041	46,752	39,264
Repairs and maintenance	11,333	10,541	33,938	27,700
Advertising and promotion	12,012	7,501	29,697	19,920
Office and operating supplies	3,341	3,286	8,795	8,141
Licenses and franchise fees	4,295	3,684	13,153	12,216
Insurance	1,778	1,754	6,098	5,283
Professional and consulting fees	2,742	2,772	6,458	6,438
Telecommunications and data	1,311	1,483	4,017	4,169
Bad debts	(154)	133	294	(434)
Equipment rental	388	396	1,191	1,166
Business interruption insurance proceeds	(700)	—	(700)	—
Other costs	2,513	2,240	8,130	6,589
	<u>\$ 202,510</u>	<u>\$ 185,048</u>	<u>\$ 588,456</u>	<u>\$ 500,141</u>

Cineplex recognized nominal subsidies during the year to date period of 2023 compared to material subsidies during the year to date period of 2022, summarized below.

Subsidies	Nine months ended September 30, 2022	
Wage subsidy (CEWS and THRP)	\$	21,583
Rent subsidy (CERS and THRP)		3,461
Realty tax subsidy		3,731
Utility subsidy		2,069
Total	\$	<u>30,844</u>

Employee wages, salaries and benefits in 2023 includes subsidies in the amount of \$2,817 for the year to date period.

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10. Earnings (loss) per share

Basic

Basic earnings (loss) per share is calculated by dividing the net income (loss) by the weighted average number of shares outstanding during the period.

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ 29,746	\$ 30,857	\$ 176,118	\$ (10,055)
Weighted average number of shares outstanding	63,376,721	63,362,713	63,376,083	63,356,694
Earnings (loss) per share - basic	\$ 0.47	\$ 0.49	\$ 2.78	\$ (0.16)

Diluted

Diluted earnings (loss) per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the outstanding shares for the period), based on the monetary value of the rights attached to the potentially dilutive shares. The number of shares calculated above is compared with the number of shares that would have been issued assuming exercise of conversions, exchanges or options. For the third quarter, dilutive shares that have been included in the current period were 28,034 potential shares that would be issued under the treasury stock method and 28,907,678 potential shares that would be issued under the if-converted method relating to debentures outstanding. For the year to date period, dilutive shares that have been included in the current period were 29,672 potential shares that would be issued under the treasury stock method and 28,907,678 potential shares that would be issued under the if-converted method relating to debenture units outstanding. The options and debentures are dilutive for the third quarter of 2022 and the options and debentures are anti-dilutive for the year to date period of 2022, as applicable.

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ 29,746	\$ 30,857	\$ 176,118	\$ (10,055)
Adjustments for convertible debentures	7,174	9,025	21,113	—
Diluted net income (loss)	\$ 36,920	\$ 39,882	\$ 197,231	\$ (10,055)
Weighted average number of shares outstanding	63,376,721	63,362,713	63,376,083	63,356,694
Adjustments for stock options	28,034	104,560	29,672	—
Adjustments for convertible debentures	28,907,678	28,907,678	28,907,678	—
Weighted average number of shares for diluted EPS	92,312,433	92,374,951	92,313,433	63,356,694
Earnings (loss) per share - diluted	\$ 0.40	\$ 0.43	\$ 2.14	\$ (0.16)

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11. Changes in operating assets and liabilities

The following summarizes the changes in operating assets and liabilities:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Trade and other receivables	\$ (167)	\$ 3,992	\$ 36,449	\$ 19,314
Inventories	643	(4,246)	(57)	(8,962)
Prepaid expenses and other current assets	(473)	(3,838)	(3,694)	(5,727)
Accounts payable and accrued liabilities	(41,860)	(143)	(51,056)	(4,744)
Income taxes receivable	(735)	651	(2,276)	(73)
Deferred revenue	(10,531)	(21,671)	(41,329)	(39,355)
Post-employment benefit obligations	62	52	(462)	(714)
Share-based compensation	245	(691)	753	(1,263)
Other liabilities	(27)	79	(117)	(488)
	<u>\$ (52,843)</u>	<u>\$ (25,815)</u>	<u>\$ (61,789)</u>	<u>\$ (42,012)</u>

Property, equipment and leasehold purchases included in accounts payable and accrued liabilities as at September 30, 2023, are \$3,201 (2022 - \$6,590).

12. Contingent liabilities

Cineplex's litigation with Cineworld including the damages awarded to Cineplex is discussed in detail in note 1 to the financial statements. Cineplex or a subsidiary of Cineplex is a defendant in various claims and lawsuits arising in the ordinary course of business. From time to time, Cineplex is involved in disputes with landlords, contractors, suppliers, former employees and other third parties. It is the opinion of management that any liability to Cineplex, which may arise as a result of these matters, will not have a material adverse effect on Cineplex's operating results, financial position or cash flows.

Competition Bureau's Allegation that Cineplex's Online Booking Fee constitutes Misleading Advertising and Drip Pricing

On May 18, 2023, the Competition Bureau filed a Notice of Application, commencing legal action against Cineplex, alleging that Cineplex's online booking fee is misleading and constitutes "drip pricing".

The Notice of Application lists various grounds of relief including an administrative penalty and an order requiring the return of online booking fee sums in an amount to be determined. The Notice of Application does not specify a figure or quantum of damages sought. On a finding of contravention, the *Competition Act* provides for a wide range of amounts regarding administrative monetary penalties, some of which could be material.

Cineplex strongly denies the allegations and believes that they are without merit. Cineplex believes that the online booking fee fully complies with the letter and spirit of the law.

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Cineplex filed its response to the Notice of Application on June 30, 2023 and the Competition Bureau filed its reply on July 14, 2023. The parties are in the process of conducting the various preliminary steps necessary for this matter to be heard by the Competition Tribunal. Cineplex requested an early determination of this matter, and expects that this matter will be heard by the Competition Tribunal during the first quarter of 2024.

Cineplex believes that this matter will not have a material adverse effect on its operating results, financial position, or cash flows. No amount has been accrued in Cineplex's consolidated financial statements, and online booking fee revenue continues to be recognized. Cineplex has recognized approximately \$33,800 in online booking fee revenues through September 30, 2023.

13. Operating segments

Cineplex has four reportable segments; Film Entertainment and Content, Media, Amusement Solutions (PIAG) and Location-Based Entertainment. The reportable segments are business units offering differing products and services and managed separately due to their distinct natures. These four reportable segments have been determined by Cineplex's chief operating decision makers. The Film Entertainment and Content reporting segment does not charge an access fee to the Media reporting segment. All other inter-segment transactions are eliminated in the Corporate and other category, which includes all corporate general and administrative costs not directly associated with a segment.

Film Entertainment and Content

The Film Entertainment and Content reporting segment includes all direct and ancillary revenues from theatre attendance, including box office and food service revenues and the associated costs to provide those products and services. Also included in the Film Entertainment and Content segment are in-theatre amusement, theatre rentals and digital commerce rental and sales and associated costs.

Media

The Media reporting segment is comprised of the aggregation of two operating segments, cinema media and digital place-based media businesses. Cinema media consists of all in-theatre advertising revenues and costs, including pre-show, showtime and lobby advertising. Digital place-based media is comprised of revenues and costs associated with the design, installation and operations of digital signage networks, along with advertising on certain networks. Aggregation of these operating segments is based on the segments having similar economic characteristics.

Amusement Solutions (PIAG)

Amusement Solutions is comprised of revenues and costs associated with operating and distributing amusement, gaming and vending equipment.

Location-Based Entertainment

Location-based entertainment is comprised of the social entertainment destinations featuring gaming, entertainment and dining. These entertainment options are complemented with an upscale casual dining environment, featuring an open kitchen and contemporary menu, as well as a larger bar with a wide range of digital monitors and a large screen for watching sporting and other major events.

In accordance with IFRS 8, *Operating Segments*, Cineplex discloses information about its reportable segments based upon the measures used by management in assessing the performance of those reportable segments. Cineplex uses adjusted EBITDAaL to measure the performance of its reportable segments.

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Management defines EBITDA as earnings before interest income and expense, income taxes and depreciation and amortization expense. Adjusted EBITDA excludes the change in fair value of financial instrument, loss on disposal of assets, foreign exchange, the equity income of CDCP, and impairment, depreciation, amortization, interest and taxes of Cineplex's other joint ventures and associates. Adjusted EBITDAaL modifies adjusted EBITDA to deduct current period cash rent paid or payable related to lease obligations.

Cineplex's management believes that adjusted EBITDAaL is an important supplemental measure of Cineplex's profitability at an operational level and provides analysts and investors with comparability in evaluating and valuing Cineplex's performance period over period. EBITDA, adjusted for various unusual items, is also used to define certain financial covenants in Cineplex's Credit Facilities.

Cineplex's cash management and other treasury functions are centralized; interest expense not related to the lease obligations and interest income are not allocated to segments. Income taxes are accounted for by entity, and cannot be attributable to individual segments. Cineplex does not report balance sheet information by segment because that information is not used to evaluate performance or allocate resources between segments.

The following tables disclose the results of the Film Entertainment and Content, Media, Amusement Solutions and Location-Based Entertainment segments for the three and nine months ended September 30, 2023 and 2022:

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(Unaudited)

(expressed in thousands of Canadian dollars, except per share amounts)

Three months ended September 30, 2023	Film Entertainment and Content (i)	Media (i)	Amusement Solutions (PIAG)	Location-Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	\$ 188,233	\$ —	\$ —	\$ —	\$ —	\$ 188,233
Food service	134,499	—	—	11,729	—	146,228
Media	—	28,616	—	341	—	28,957
Amusement	4,314	—	49,046	21,844	—	75,204
Other	24,689	—	—	275	—	24,964
Total revenues	\$ 351,735	\$ 28,616	\$ 49,046	\$ 34,189	\$ —	\$ 463,586
Primary geographical markets						
Canada	\$ 351,735	\$ 26,362	\$ 19,209	\$ 34,189	\$ —	\$ 431,495
United States and other countries	—	2,254	29,837	—	—	32,091
Total revenues	\$ 351,735	\$ 28,616	\$ 49,046	\$ 34,189	\$ —	\$ 463,586
Timing of revenue recognition						
Transferred at a point in time	\$ 351,735	\$ 3,482	\$ 49,046	\$ 34,189	\$ —	\$ 438,452
Transferred over time	—	25,134	—	—	—	25,134
Total revenues	\$ 351,735	\$ 28,616	\$ 49,046	\$ 34,189	\$ —	\$ 463,586
Adjusted EBITDAaL	\$ 67,439	\$ 15,960	\$ 8,450	\$ 8,667	\$ (17,452)	\$ 83,064
Difference between the sum of depreciation of right-of-use assets and interest expense related to the lease obligations as compared to the cash rent paid or payable related to lease obligations with respect to the current period.						(3,524)
Other adjustments (ii)						356
Depreciation and amortization - other assets						24,478
Interest expense - other						21,016
Interest income						(248)
Provision for income taxes						11,240
Net income						\$ 29,746
Other operating segment disclosures						
Depreciation - right-of-use assets	\$ 20,165	\$ 511	\$ 618	\$ 1,108	\$ 110	\$ 22,512
Depreciation and amortization - other assets	\$ 16,249	\$ 1,150	\$ 2,519	\$ 4,560	\$ —	\$ 24,478
Interest expense - lease obligations	\$ 14,936	\$ 106	\$ 165	\$ 1,373	\$ 191	\$ 16,771
Goodwill balance	\$ 413,915	\$ 206,385	\$ 15,818	\$ —	\$ —	\$ 636,118

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2023 and 2022
(Unaudited)

(expressed in thousands of Canadian dollars, except per share amounts)

Three months ended September 30, 2022	Film Entertainment and Content (i)	Media (i)	Amusement Solutions (P1AG)	Location-Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	\$ 124,700	\$ —	\$ —	\$ —	\$ —	124,700
Food service	94,805	—	—	10,388	—	105,193
Media	—	24,953	—	271	—	25,224
Amusement	3,910	—	45,541	20,156	—	69,607
Other	14,890	—	—	223	—	15,113
Total revenues	\$ 238,305	\$ 24,953	\$ 45,541	\$ 31,038	\$ —	\$ 339,837
Primary geographical markets						
Canada	\$ 238,305	\$ 22,466	\$ 16,739	\$ 31,038	\$ —	308,548
United States and other countries	—	2,487	28,802	—	—	31,289
Total revenues	\$ 238,305	\$ 24,953	\$ 45,541	\$ 31,038	\$ —	\$ 339,837
Timing of revenue recognition						
Transferred at a point in time	\$ 238,305	\$ 3,897	\$ 45,541	\$ 31,038	\$ —	318,781
Transferred over time	—	21,056	—	—	—	21,056
Total revenues	\$ 238,305	\$ 24,953	\$ 45,541	\$ 31,038	\$ —	\$ 339,837
Adjusted EBITDAaL	\$ 7,332	\$ 12,001	\$ 9,001	\$ 8,989	\$ (16,893)	\$ 20,430
Difference between the sum of depreciation of right-of-use assets and interest expense related to the lease obligations as compared to the cash rent paid or payable related to lease obligations with respect to the current period.						(3,441)
Other adjustments (ii)						(49,284)
Depreciation and amortization - other assets						26,079
Interest expense - other						16,303
Interest income						(84)
Net income						\$ 30,857
Other operating segment disclosures						
Depreciation - right-of-use assets	\$ 20,973	\$ 649	\$ 659	\$ 886	\$ 110	23,277
Depreciation and amortization - other assets	\$ 15,773	\$ 1,268	\$ 4,502	\$ 4,536	\$ —	26,079
Interest expense - lease obligations	\$ 14,129	\$ 146	\$ 161	\$ 1,299	\$ 211	15,946
Goodwill balance	\$ 413,915	\$ 206,385	\$ 15,945	\$ —	\$ —	636,245

(i) The Film Entertainment and Content reporting segment does not charge an access fee to the Media reporting segment for in-theatre advertising.

(ii) Other adjustments include change in fair value of financial instruments, (loss)/gain on disposal of assets, CDCP equity income/(loss), foreign exchange, non-controlling interest adjusted EBITDA, depreciation and amortization for joint ventures and taxes and interest - joint ventures.

(iii) Corporate and other represents the cost of centralized corporate overhead that is not allocated to the other operating segments and includes the change in fair value of financial instruments.

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2023 and 2022
(Unaudited)

(expressed in thousands of Canadian dollars, except per share amounts)

Nine months ended September 30, 2023	Film Entertainment and Content (i)	Media (i)	Amusement Solutions (PIAG)	Location-Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	\$ 476,062	\$ —	\$ —	\$ —	\$ —	476,062
Food service	343,272	—	—	35,424	—	378,696
Media	—	76,752	—	601	—	77,353
Amusement	12,732	—	153,845	61,273	—	227,850
Other	66,613	—	—	1,087	—	67,700
Total revenues	\$ 898,679	\$ 76,752	\$ 153,845	\$ 98,385	\$ —	\$ 1,227,661
Primary geographical markets						
Canada	\$ 898,679	\$ 70,049	\$ 56,367	\$ 98,385	\$ —	1,123,480
United States and other countries	—	6,703	97,478	—	—	104,181
Total revenues	\$ 898,679	\$ 76,752	\$ 153,845	\$ 98,385	\$ —	\$ 1,227,661
Timing of revenue recognition						
Transferred at a point in time	\$ 898,679	\$ 9,621	\$ 153,845	\$ 98,385	\$ —	1,160,530
Transferred over time	—	67,131	—	—	—	67,131
Total revenues	\$ 898,679	\$ 76,752	\$ 153,845	\$ 98,385	\$ —	\$ 1,227,661
Adjusted EBITDAaL	\$ 123,823	\$ 38,663	\$ 30,380	\$ 23,809	\$ (53,110)	\$ 163,565
Difference between the sum of depreciation of right-of-use assets and interest expense related to the lease obligations as compared to the cash rent paid or payable related to lease obligations with respect to the current period.						(10,310)
Other adjustments (ii)						3,382
Depreciation and amortization - other assets						75,373
Interest expense - other						62,752
Interest income						(741)
Provision for income taxes						(143,009)
Net income						\$ 176,118
Other operating segment disclosures						
Depreciation - right-of-use assets	\$ 60,273	\$ 1,656	\$ 1,963	\$ 3,138	\$ 331	\$ 67,361
Depreciation and amortization - other assets	\$ 49,225	\$ 3,830	\$ 8,311	\$ 14,007	\$ —	\$ 75,373
Interest expense - lease obligations	\$ 44,272	\$ 346	\$ 522	\$ 3,863	\$ 589	\$ 49,592
Goodwill balance	\$ 413,915	\$ 206,385	\$ 15,818	\$ —	\$ —	\$ 636,118

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2023 and 2022
(Unaudited)

(expressed in thousands of Canadian dollars, except per share amounts)

Nine months ended September 30, 2022	Film Entertainment and Content (i)	Media (i)	Amusement Solutions (P1AG)	Location-Based Entertainment	Corporate and other (iii)	Consolidated
Major product and service lines						
Box office	\$ 341,024	\$ —	\$ —	\$ —	\$ —	341,024
Food service	257,249	—	—	26,969	—	284,218
Media	—	66,547	—	628	—	67,175
Amusement	9,249	—	125,477	51,028	—	185,754
Other	39,687	—	—	580	—	40,267
Total revenues	\$ 647,209	\$ 66,547	\$ 125,477	\$ 79,205	\$ —	\$ 918,438
Primary geographical markets						
Canada	\$ 647,209	\$ 60,443	\$ 40,982	\$ 79,205	\$ —	827,839
United States and other countries	—	6,104	84,495	—	—	90,599
Total revenues	\$ 647,209	\$ 66,547	\$ 125,477	\$ 79,205	\$ —	\$ 918,438
Timing of revenue recognition						
Transferred at a point in time	\$ 647,209	\$ 10,191	\$ 125,477	\$ 79,205	\$ —	862,082
Transferred over time	—	56,356	—	—	—	56,356
Total revenues	\$ 647,209	\$ 66,547	\$ 125,477	\$ 79,205	\$ —	\$ 918,438
Adjusted EBITDAaL	\$ 22,339	\$ 31,419	\$ 22,104	\$ 22,912	\$ (48,299)	\$ 50,475
Difference between the sum of depreciation of right-of-use assets and interest expense related to the lease obligations as compared to the cash rent paid or payable related to lease obligations with respect to the current period.						(9,618)
Other adjustments (ii)						(48,796)
Depreciation and amortization - other assets						79,622
Interest expense - other						40,198
Interest income						(152)
Provision for income taxes						(724)
Net loss						\$ (10,055)
Other operating segment disclosures						
Depreciation - right-of-use assets	\$ 65,503	\$ 2,210	\$ 1,313	\$ 2,687	\$ 313	72,026
Depreciation and amortization - other assets	\$ 49,152	\$ 3,570	\$ 13,648	\$ 13,252	\$ —	79,622
Interest expense - lease obligations	\$ 40,004	\$ 427	\$ 401	\$ 3,915	\$ 642	45,389
Goodwill balance	\$ 413,915	\$ 206,385	\$ 15,945	\$ —	\$ —	636,245

(i) The Film Entertainment and Content reporting segment does not charge an access fee to the Media reporting segment for in-theatre advertising.

(ii) Other adjustments include change in fair value of financial instruments, (loss)/gain on disposal of assets, CDCP equity income/(loss), foreign exchange, non-controlling interest adjusted EBITDA, depreciation and amortization for joint ventures and taxes and interest - joint ventures.

(iii) Corporate and other represents the cost of centralized corporate overhead that is not allocated to the other operating segments and includes the change in fair value of financial instruments.

Cineplex Inc.

Notes to Interim Condensed Consolidated Financial Statements
For the three and nine months ended September 30, 2023 and 2022
(Unaudited)

(expressed in thousands of Canadian dollars, except per share amounts)

14. Basis of presentation and accounting standards

Basis of preparation and measurement

Cineplex prepares its unaudited interim condensed consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires that management exercise judgment in applying Cineplex’s accounting policies. The disclosures contained in these unaudited interim condensed consolidated financial statements do not contain all requirements of Canadian GAAP for annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022. These unaudited interim condensed consolidated financial statements follow the same accounting policies and methods of application as the audited financial statements for the year ended December 31, 2022, with the exception of accounting standards issued in the current quarter.

The International Accounting Standards Board (“IASB”) has published a number of amendments to existing accounting standards effective for years beginning on or after January 1, 2023.

Accounting standards issued

The following amendments have been adopted or are being evaluated by Cineplex:

IAS 12, Deferred taxes related to assets and liabilities arising from a single transaction

In May 2021, the IASB issued deferred tax related to assets and liabilities arising from a single transaction. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. Cineplex has determined that the changes have no material impact on Cineplex’s consolidated financial statements.

IAS 8, Definition of accounting estimates

In February 2021, the IASB issued definition of accounting estimates, which amended IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. Cineplex has determined that the changes have no material impact on Cineplex’s consolidated financial statements.

IAS 1, Classification of liabilities as current or non-current

In December 2020 the IASB issued classification of liabilities as current or non-current (2020 amendments). The 2020 amendments clarified aspects of how entities classify liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Cineplex has not applied the accounting pronouncement issued and is evaluating its impact on the consolidated financial statements.